

BOARD OF COMMUNITY HEALTH

May 12, 2005

The Board of Community Health held its regularly scheduled meeting in the Floyd Room, 20th Floor, West Tower, Twin Towers Building, 200 Piedmont Avenue, Atlanta, Georgia. Board members attending were Jeff Anderson, Chairman; Richard Holmes, Vice Chairman; Chris Stroud, M.D. (Secretary); Inman English, M.D.; Ann McKee Parker, Ph.D.; Mary Covington; Ross Mason; Kim Gay, and Mark Oshnock. Commissioner Tim Burgess was also present. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments # 1 and # 2).

Mr. Anderson called the meeting to order at 12:10 p.m. The Minutes of the April 14 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

Mr. Anderson asked Commissioner Burgess to make his report. Commissioner Burgess reported on the following: 1. CMS Certification - Since the last board meeting, the Department received an official letter from the Centers for Medicare and Medicaid Services (CMS) that certifies the claims system back to August 2003. There were no findings, but there were some recommendations for corrective actions; 2. State Commission on the Efficacy of the Certificate of Need (CON) Program - The announcements of the appointees were made yesterday by the President of the Senate, Speaker of the House and the Governor. The Chairman of the Board of Community Health and the Commissioner of Community Health serve as ex-officio and voting members. The Governor has appointed Dr. Daniel Rahn, President of the Medical College of Georgia, as the Chairman of the Commission; 3. Procurement Updates - The Commissioner gave an update on several procurements: a. Disease Management – The RFP was released and DOAS received bids from five vendors with all five vendors bidding on both regions. The bidders are Centene Corporation, APS Health Care, McKesson, Health Systems One and United Healthcare. These bids are now being evaluated by a team of 13 DCH staffers. The Department hopes to have the evaluations completed within two weeks and be ready to announce apparent winners, get contracts signed, and have the vendors start by July 1 if possible, but no later than August 1; b. Pharmacy Benefit Manager – The Department issued the RFP, an offeror's conference was held, and responses are due to DOAS by May 23. The Department hopes to have the apparent winners chosen by July 18; and 4. FY 05 ICTF distribution - DCH made a partial distribution in January. Since then, the Department of Audits has been making complete onsite reviews on about 80 hospitals and is sending the results back as the reviews are finished. DCH will assemble this information and discuss with a number of groups in the hospital industry to come to a conclusion and a reasonable compromise on how the Department might finish the final distribution in June. Commissioner Burgess said he hopes to report to the Board in June the conclusion of the distributions for FY 05 and discuss plans for methodology for FY 06. Commissioner Burgess stated that the CFO and staff are almost in constant conversation with CMS about Upper Payment Limits (UPL). DCH received written guidance from CMS about future rules and acceptable practices. The Department continues to negotiate an acceptable agreement with CMS to allow the Department and hospitals to receive as many funds as possible in FY 05 while trying to find what the new rules will be in FY 06 and beyond.

Mr. Anderson moved on to Committee Reports and called on Mark Oshnock, Chairman of the Audit Committee, to give his report. Mr. Oshnock said the Committee discussed the timetable for the FY 2004 audit completion. The Committee asked the CFO to arrange for the independent auditors (the Joint Venture) and the statisticians (Myers and Stauffer) to meet with the Audit Committee at the June meeting.

Mr. Anderson called on Dr. Chris Stroud, Chairman of the Care Management Committee, to give his report. Dr. Stroud said Kathy Driggers, Chief, Managed Care and Quality, gave an update on some of the processes of the Care Management RFP evaluation. Dr. Stroud reported that there are three members of the Board, Mr. Holmes, Dr. Parker, and Ross Mason, who are serving as a liaison to the process and executive level observers in the CMO application and award process. Their role is not to score the applications, but to provide the board with input on how the process is working. Award letters are expected to be issued the last week of May or the first week of June.

Mr. Anderson called on Neal Childers, General Counsel, to discuss the proposed Alternative Living Services (ALS), Community Care Services Program (CCSP) public notice. The Department is proposing to increase the daily rate for two specific procedure codes by \$4 per day, resulting in a new daily rate of \$35.04 for Alternative Living

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Services in the Community Care Services Program. Dr. Parker MADE THE MOTION to APPROVE the Alternative Living Services, Community Care Services Program Public Notice. Ms. Covington SECONDED THE MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Alternative Living Services, Community Care Services Program Public Notice is attached hereto and made an official part of these Minutes as Attachment # 3.)

Mr. Anderson asked Carie Summers, Chief Financial Officer, to present three public notices. The Department is asking for the Board's approval to publish the public notices that would become effective July 1, 2005. The first public notice she discussed, Inpatient Hospital and Outpatient Hospital, Nursing Home and Pharmacy Reimbursement Rates, would implement several budget items that were a part of the 2006 Appropriations Act. The public notice is divided into three different areas based on which provider it impacts. The first part relates to Hospital Services and would reduce inpatient hospital reimbursement from 90% to 89.3% in determining outlier payments. This change is estimated to decrease annual expenditures by about \$1.1 million in total funds. The second item for hospital services relates to outpatient hospital and would cap outpatient reimbursement at 85.6% of an amount based on the payment for an average inpatient claim. That is expected to decrease annual expenditures by \$6.6 million in total funds. The third change relating to hospital services also impacts the outpatient hospital program. This would change interim rates to approximate 85.6% of cost, with interim rate calculations based on a prior period cost report data with trend adjustments to reflect ongoing changes in hospital charges compared to costs. This change is estimated to decrease annual expenditures by approximately \$51 million in total funds. The next part of the public notice relates to Nursing Homes Services. This proposal would reduce the growth allowance applied to the 2002 cost report, continue to use the 2002 cost report and reduce the growth allowance from 6.16% to 5.067%. The savings are estimated to be \$10 million annually. The last item relates to pharmacy services. The Department is proposing to eliminate the supplemental dispensing fee paid for dispensing generic drugs. This change would reduce annual pharmacy expenditures by approximately \$4.6 million in total funds.

Ms. Summers continued with an overview of the PeachCare Dental Benefit Structure for Kids Public Notice. This notice would propose to change the scope of the dental services program within the PeachCare for Kids program. The attachment to the Public Notice shows what procedure codes would now be covered under the dental program.

Ms. Summers concluded with an overview of the Hospital Cost Settlement Calculations Public Notice. This change would apply to cost reports with dates of Notice of Program Reimbursement on or after July 1, 2005. The Department is proposing to modify the determination of allowable and reimbursable costs by capping the ratio of costs to charges for each ancillary cost center at 100 percent. This change is estimated to reduce total annual expenditures in the outpatient hospital program by about \$7.5 million a year.

Ms. Gay MADE THE MOTION to APPROVE the three public notices, Inpatient Hospital and Outpatient Hospital, Nursing Home and Pharmacy Reimbursement Rates; PeachCare Dental Benefit Structure; and Hospital Cost Settlement Calculations to be published for public comment. Ms. Covington SECONDED THE MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (Copies of the Inpatient Hospital and Outpatient Hospital, Nursing Home and Pharmacy Reimbursement Rates; PeachCare Dental Benefit Structure; and Hospital Cost Settlement Calculations Public Notices are attached hereto and made official parts of these Minutes as Attachment # 4, 5 and 6.)

Mr. Anderson opened the meeting for public comment. Comments were given by Betty Hardy, Southern Living Alternatives; Ray Wozniak, Department of Corrections; Tim Davis, Department of Natural Resources; Norris Jones, Georgia Technology Authority, and Vincent Moon, Department of Public Safety.

Mr. Anderson called on Carie Summers to give update on recoupment efforts. Ms. Summers said the board asked at its last meeting for an update on the accounts

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receivable balances. Ms. Summers said at the end of FY 04 the prospective payment balance was around \$208 million; today it is down to \$63 million and by the end of the year the Department thinks it will be down to \$52 million. She also gave the status of accounts receivable for the MR Waiver Providers. At FYE the balance was \$112.7 million and is down today to \$39 million. For those providers who had outstanding balances but little or no claims activity, the Department sent them letters asking them to remit the amounts due within 60 days. This group of providers cumulatively owed about \$14 million; \$2 million has been recovered so far. (A copy of the Status of Accounts Receivable and MR Waiver Providers is attached hereto and made an official part of these Minutes as Attachment # 7.)

Mr. Anderson moved on to New Business: 1. He appointed Dr. Parker to the Care Management Committee and Mr. Holmes to the Audit Committee; 2. Mr. Anderson began discussion about starting the committee meetings at 10 a.m. and the board meeting at 12:00 noon on the Second Thursday of each month. Mr. Holmes MADE THE MOTION to change the committee meetings to 10:00 a.m. and board meetings to 12:00 noon. Mr. Oshnock SECONDED THE MOTION. Mr. Anderson called for votes; votes were taken. THE MOTION was UNANIMOUSLY APPROVED; 3. Mr. Anderson called the Board's attention to a memorandum that Mr. Childers sent to the Chairman which documents consultations with the Department of Law about the review of legal issues regarding the enactment of regulations authorizing hospitals to participate in the C-PORT clinical trial; 4. Mr. Anderson said Mr. Childers will interview the Board and determine interests and relationships that implicate the Board's service with the Department of Community Health; and 5. Mr. Anderson said he is in the process of scheduling board training at Kennesaw State University.

There being no further business to be brought before the Board at the meeting Mr. Anderson adjourned the meeting at 1:17 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS

THE _____ DAY OF _____, 2005.

MR. JEFF ANDERSON
Chairman

ATTEST TO:

CHRISTOPHER BYRON STROUD, M.D.
Secretary

Official Attachments:

- #1 - List of Attendees
- #2 - April 14 Agenda
- #3 - Alternative Living Services, Community Care Services Program Public Notice
- #4 - Inpatient Hospital and Outpatient Hospital, Nursing Home and Pharmacy Reimbursement Rates Public Notice
- #5 - PeachCare Dental Benefit Structure Public Notice
- #6 - Hospital Cost Settlement Calculations Public Notice
- #7 - Status of Accounts Receivable and MR Waiver Providers